

9 Fig. 3 is a block diagram illustrating the execution of contracts between an administering company and plural participants, and between the administering company and plural institutions.

#### BRIEF DESCRIPTION OF THE DRAWINGS

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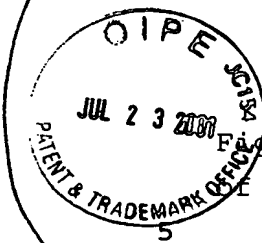


Fig. 1 is a block diagram illustrating one embodiment of hardware for implementing the present invention.

Fig. 2 is a flow chart illustrating one embodiment of the determination process of the present invention.

#### DETAILED DESCRIPTION OF THE PREFERRED EMBODIMENTS

- 10 A basic hardware configuration with which the present invention may be implemented is depicted schematically in Fig. 1. This configuration is a local area network ("LAN") which includes a plurality of individual workstations 10, a hub 20 and a file server 30. Each workstation includes a CPU 1, a random access memory ("RAM") 2 and a storage device 3. The storage device 3 may comprise, for example, a floppy disk and drive, a hard disk and drive, a CD-ROM and drive, or the like, or any combination of the foregoing. Each work station further includes one or more input devices such as a keyboard 4 or a mouse 5, and one or more output devices, such as a monitor 6 or a printer 7. Each workstation 10 communicates with a central file server 30 through the hub 20, in a manner that will be readily apparent to those skilled in the art of networking.

In operation, a software program implementing the present invention may be stored in the storage device 3 of each workstation 10, so that the CPU 1 of each workstation 10 may execute the program when so directed by an operator. Alternatively, the software program, or a portion thereof, may be stored in the file server 30. Preferably, all data records that the software program creates (to be discussed in greater detail below) are stored in the file server 30, so that those data records may be accessed by any of the workstations 10. The file server 30 might also store other

This is illustrated in the block diagram of Fig. 3, in which plural Participants 301-1 through 301-i enter into contracts with the Administrating Company 300.

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In the most basic form of the pre-paid college tuition embodiment, a Participant enrolling in the plan will enter into a contract with the Administrating Company whereby the Participant transfers to the Administrating Company some sum of money (a "Premium"), and in return receives from the Administrating Company a call option giving the Participant the right to purchase, at some point in the future, a specified measure of educational services for the Beneficiary from any one of the Institutions for a specified amount of money (the "Strike Price"). The choice of which Institution will actually provide the services is to be made at the sole discretion of the Participant, at the time the option is exercised. The option may be exercisable by the Participant at any time following the execution of the Contract up to its expiration date, or alternatively may be exercisable only after some specified date (a "Maturity Date"). The salient details of this contract, such as the amount of the Premium paid, the precise measure of educational services that may be purchased, the amount of the Strike Price, the Maturity Date and the date on which the option expires, will all become a part of the Participant's data record.

The option is preferably a deep-in-the-money option (a "DIM"), i.e., an option in which the Strike Price is very low in comparison to the Premium. For example, a Strike Price of one hundred dollars, ten dollars or even one dollar may correspond to a ten thousand dollar Premium, with the measure of educational services that may be purchased at the Strike Price being roughly equivalent to the measure of educational services that could have been purchased for ten thousand dollars at the time the contract was executed. The precise measure of services that each option will allow the participant to purchase will be decided by the Administrating Company, based upon the amount of money

Company will collect Premiums from participants as frequently as the Participants desire to provide them (such as, for example, once per month), but will actually execute the option contracts on a less  
5 frequent basis. For example, it may be desirous to enter into option contracts only once per year, once all or most of the member Institutions have announced what their new tuitions will be. In the meantime, the Premiums that the Participant provides can be placed by  
10 the Administrating Company into a managed fund, which will invest in low-risk securities such as bank money markets, government bonds and the like. With this approach, the Participant's balance of Premiums paid plus interest accrued would also become of part of the  
15 Participant's data record.

In a preferred aspect, the software program that implements the present invention is capable of processing a given Participant's data record to  
20 determine the total amount of educational services at a given Institution which the Participant has options to purchase under all of the contracts that have been executed, plus the outstanding balance of Premiums paid but not yet applied to a contract. This information  
25 may be provided in hard copy or electronic form to a Participant for whichever of the member Institutions are requested.

As the Administrating Company enrolls Participants and  
30 accumulates Premiums over a set time period (such as, for example, over a ninety day time period), it places the Premiums in a managed fund that invests in low-risk securities to preserve the capital. At the end of the set time period, the Administrating Company will use  
35 the accumulated Premiums to execute forward contracts with the Institutions, whereby in return for a cash payment an Institution agrees to provide, at some point

This is illustrated schematically in Fig. 3, in which plural Institutions 302-1 through 302-j enter into contracts with the Administrating Company 300.

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- in the future, a specified amount of educational services. Preferably, each Institution will be required to carry some type of bond or similar instrument to insure the Administrating Company against
- 5 a circumstance where the Institution cannot deliver on its obligations, such as circumstances where an Institution goes out of business and the like. In any event, the salient details of these forward contracts, such as the amount of the cash payment and the precise
- 10 amount of educational services (again preferably expressed in terms of years of full-time enrollment or fractions thereof), will become a part of the Institution's data record.
- 15 The forward contract may require that the Institution provide the educational services at any time following the execution of the Contract, or alternatively may be require that the Institution provide such services only after some specified date. In either case, this
- 20 information will also become a part of the Institution's data record.

- The variety (in terms of breadth of Institutions) and magnitude (in terms of amount of educational services
- 25 contracted for) of the forward contracts entered into by the Administrating Company should be sufficient to meet or exceed the expected future demand for educational services at specific Institutions from the aggregate of the Participants. In this manner, the
- 30 entering into these forward contracts by the Administrating Company converts the Participants' "naked" options (i.e., options in which the option writer does not own the underlying security position) to "covered" options (i.e., options in which the option
- 35 writer does own the underlying security position), thereby greatly reducing the risk to the Participants.